

EHC LifeBuilders  
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LIFEBUILDERS

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CITY OF SUNNYVALE  
HOUSING DEPARTMENT

February 22, 2006

Ms. Annabel Yurutucu  
Housing Officer  
City of Sunnyvale  
Department of Community Development  
P. O. Box 3707  
Sunnyvale, CA 94088-3707

Dear Ms. Yurutucu:

I am writing to you regarding the \$350,000 bridge loan that was provided by the City of Sunnyvale for the project located at 183 Acalanes Road in addition to the \$400,000 CDBG loan on the same property. As you are aware, EHC LifeBuilders operates a permanent supportive housing program for families at that location.

The \$350,000 bridge loan was provided to EHC LifeBuilders in December 2002 to assist with the purchase of the property for use as low-income housing. The remainder of the purchase was financed through an additional \$1,150,000 in funding from the City of Sunnyvale and a \$2.5 million seller bond.

The term of the bridge loan was for fifteen (15) months and expired on April 2004. EHC and City staff has been in discussion about repayment for the past 18 months.

At the time EHC LifeBuilders accepted the bridge loan from the City of Sunnyvale, it was anticipated that HOME funds would be provided by the County of Santa Clara and would be available to replace the bridge financing. EHC LifeBuilders applied for HOME funds in 2004 and 2005 and our requests were denied. We will continue to be in contact with the County of Santa Clara Office of Affordable Housing regarding the availability of other loan sources that would be available to repay the bridge loan.

Moreover, at the time the purchase occurred, Project-based Section 8 certificates were available and we anticipated receiving subsidies for the entire project. In April 2003, a Project-based Section 8 NOFA was released. However, this NOFA only permitted applications from new construction projects. Despite advocating for a modification to the NOFA that would enable existing projects to apply, the Housing Authority declined to modify the NOFA. Furthermore, since April 2003, the Section 8 program in Santa Clara County has been fully subscribed and the Housing Authority has indicated that it will make few vouchers, if any, available. Given the current situation with Section 8, it is highly unlikely that the project will receive a Project-based Section 8 allocation in the foreseeable future. Had EHC LifeBuilders received a Section 8

allocation, funds would have been available to begin making payments on the bridge loan from net proceeds while servicing the on-going project debt.

The property was purchased when the rental market was at a high and rents were booming. While the project serves families in the very low-income category, the downturn in the rental market has also affected low-income units. We are finding that available units remain vacant longer and lease for lower amounts. Many low-income families have left the Silicon Valley area with the downturn in the economy due to loss of employment or a lack of viable employment options. Because of the unavailability of Project-based Section 8 vouchers and the change in economic conditions, the property is currently just breaking even. While we are able to service our long-term debt obligations, there is currently no cash flow to begin payments on the bridge financing.

The \$400,000 CDBG loan has 5% simple interest and is due and payable over 20 years. The CDBG loan was also used for the acquisition of 183 Acalanes Drive.

**Repayment Terms \$350,000 Loan**

EHC LifeBuilders is aware that this loan is due and payable, however, we are requesting a restructuring of the repayment terms due to a change in circumstances. We are requesting the following repayment terms:

- Continue existing loan at 0% interest through July 1, 2006
- EHC to repay \$25,000 by July 1, 2006
- Finance the remaining balance (\$325,000) at 3% simple interest for 10 years beginning July 2, 2006.
- Quarterly payments will be \$8,387.50

**Repayment Terms \$400,000 Loan**

- Continue existing loan with 5% simple interest with deferred payment through July 1, 2006
- EHC to make quarterly payments on balance (total balance w/ interest is \$420,000)
- Quarterly payments will be \$5,250.

**Source of funds**

EHC LifeBuilders and its Board of Directors are committed to the above repayment terms and will pursue the following repayment sources:

- Private lender will finance initial payment.
- Continued, annual fundraising for the annual payments.
- Pursue moving Section 8 vouchers from an existing EHC housing site to the Acalanes project.
- Continue to pursue other funding sources such as County of Santa Clara.

Thank you for considering our requested changes to the bridge loan. We have enjoyed a long standing relationship with the City of Sunnyvale and hope that we can resolve this matter to our mutual satisfaction. Please do not hesitate to contact me with questions or concerns at 408.539.2115.

Sincerely,

A handwritten signature in black ink, appearing to read "Barry Del Buono", with a long, sweeping horizontal line extending to the right.

Barry Del Buono  
President & Chief Executive Officer